

XL AXIATA BOOKS IDR901.2BN NET LOSS IN 9M14 ON RISING COSTS AND CURRENCY FLUCTUATIONS

Indonesia's second largest mobile operator XL Axiata says net losses for the nine months to 30 September 2014 climbed to IDR901.2 billion (USD75.8 million), compared to a net profit of IDR917 billion in 9M13, as rising costs and the continuing fall in the local currency (rupiah) bit into its bottom line. Further, the company's financial report confirmed that its January-September net loss climbed sharply from the losses of IDR482.5 billion reported in the first six months of this year, with CEO Hasnul Suhaimi noting: 'Our profits were very much affected by currency volatility, which was out of our control'. The rupiah continued to decline against the US dollar in the third quarter exacerbating XL Axiata's foreign exchange losses to IDR935.5 billion from IDR419.4 billion. Meanwhile, EBITDA declined by 1% year-on-year to IDR6.3 trillion while EBITDA margin stood at 36%, down four percentage points from 9M13, largely due to the full impact from Axis' negative EBITDA that XL has incurred since it completed the acquisition on 19 March 2014. In order to mitigate the decline, XL says it has continued its effort to turn round Axis' negative performance.

XL Axiata said revenue for the nine months to 30 September increased by 10.8% year-on-year to IDR17.5 trillion from IDR15.8 trillion, although total expenses also accelerated by 20.0% to IDR17.4 trillion – including infrastructure expenses of IDR6.3 trillion. Additionally, XL Axiata said that as a result of loans it has secured to purchase fellow mobile operator Axis Telekom Indonesia, its interest costs have spiralled 83.0% to IDR1.3 trillion from IDR708.5 billion previously. As at 30 September 2014 XL Axiata's liabilities had increased to IDR15.8 trillion, of which IDR4.5 trillion is debt.

In operational terms, XL Axiata closed out September with a total of 58.3 million mobile users, broadly unchanged from 58.1 million a year earlier, of whom 57.8 million were pre-pay users. Blended monthly ARPU was IDR25,000, down 7% y-o-y, as pre-paid ARPU slipped 4% to IDR25,000 and post-paid ARPU fell 13% to IDR118,000.

Updating its program to integrate Axis, XL Axiata said: 'XL has completed the Axis integration ahead of its planned target with minimum disruption to its customers and operations. This brings a successful closure of integration milestones such as the completion of billing system migration, human resource synergies, channel and distribution integration as well as network & traffic migration. Post-completion, XL will focus on equipment re-use and dismantling to further optimise its assets. Integration efforts and diligence on costs reduction has improved Axis' cost structure. As of 9M14, a 70% cost reduction has been achieved since October 2013.'

You may click this [PT Indonesia Axis Capital Group Telecom Jakarta](#) for more details.